

## A STUDY ON EFFECT OF COVID-19 PANDEMIC ON COMPENSATION MANAGEMENT OF THE ORGANIZATIONS

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### ABSTRACT

*A complete 360 degree shift in the way organizations function and carry out their businesses in spite of the deadly hit of the pandemic which has almost wipeout most of the businesses due to global lockdown worldwide. In Covid-19 pandemic there is greater focus on skills and talent then just ordinary jobs. People are forced people to rethink about their quality of life. Employees want to be valued and rewarded for their inputs and contribution. There's also a greater focus on team performance. The uses of AI and automation to understand what engages and disengages employees is going to continue. Keeping the above factors in consideration the present study analyzed the effects on compensation and benefits of the organizations and the way they are realigning it with the new normal. A survey was conducted on 50 employees working in a private sector organization in Mumbai and found that there is need to revise and add the covid-19 coverage in the medical policies of the organizations. Also, the organizations need to provide monetary and non-monetary benefits to their employees. Most of the respondents suggested that along with pay for performance there should be reimbursement of the salary cut held during the pandemic. Also work-from home should be given as an option to all employees as a safety measure. Due to changes in way employees perceive their jobs is evolving having value creation for business and having a revolutionary change in work environment in the global business scenario, employers have brought about fundamental change in how compensation and benefits can be delivered.*

**KEYWORDS:** *Compensation, Salary Restructuring, Reimbursement, Results in Only Work Environment.*

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### Introduction

The Covid-19 pandemic has not only a widespread impact but also it has changed the way we view and approach different aspects of our lives, businesses and economy at large. There are changes seen in compensation and benefits structures in many organizations for ensuring business continuity. The changes are diverse and unpredictable just like the virus itself. Changes depend upon the type of business, industry, country extent of Covid-19 spread and disruption. One thing that is clear is that employees changing preferences and there is an emerging new normal in every aspect of the business function and its survival.

One main problem that businesses have been addressing during covid-19 is liquidity or funding. They have to manage their expenses even though there is little or no cash. It is not shocking, therefore, that some businesses are already laying off or paying them reduced salaries. Many organizations will be looking to attract and compete for best talent to help steer the ship towards an effective and successful post-COVID recovery. As many organizations may not be able to offer good and competitive salaries, they may focus at reducing fixed pay and increasing variable pay that is directly linked to employee

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performance and productivity. This helps incentivize employees to perform at a higher level while maintaining a healthy and competitive environment. However, some organizations may consider taking the different way of offering flexible compensation and benefits packages that could give them a competitive advantage. Another possibility is to introduce personalized compensation structures that allow employees to design their own packages that are more suited to their needs and preferences.

Realigning rewards to market realities through adaptive and personalized compensation structures. Revaluating performance and succession planning to complement an agile, competitive, self-motivated and energetic work force. Reinforcing the learning and development agenda through digital upskilling.

We must also appreciate the fact that COVID 19 has increased our recognitions and respect for each other. We have moved from a highly individualist form of capitalism to a more social and collective approach. Future reward schemes will have to recognize more collective achievements as well as individual achievements.

### Literature Review

**Sharma (2020)** in an article stated that in the new normal companies are likely shift to focus on “output” than “hours” spent on the job. More and more jobs would get paid basis the “real output/deliverables” as we adapt to this new normal.” The COVID-19 crisis will lead many organizations to modify their compensation programmes and evaluate another possibility that help to safeguard the cash in the short term as well as preserve their critical Talent. Organizations may have to move their attention from cash compensation to equity by converting either a part of the fixed compensation or the bonus payouts to equity-linked instruments like stock options, restricted stock units, performance shares, etc. This measure will be counted as a non-cash expense in the P&L and potentially lower immediate P&L expenses. There is an increased emphasis on re-working the insurance plan benefits for Employees, especially around coverages & exclusions. There will be a renewed focus on providing a continuous support system to provide easy access to various services like TPA, hospital network, Covid19 specific products, and the overall query management. There are many working scenarios and innovations and creativity that organizations are coming up with to assess the reduction in the fixed cost and provide larger indirect benefits-focused towards health, safety & wellbeing. The shift from traditional mind-set of having a job with fixed salary is moving towards flexible scenarios of working like, part time model, Work from Home, Compressed Week, Contractual/ Consulting/ Retainer ship model, Results in Only Work Environment (ROWE)/ Project base model. This permit both the employee and the employer to operate with greater flexibility, lesser fixed cost and higher productivity.

Hence, from the article it can be predicted that many organizations will tweak their policies specially of the compensation and benefits to fit into the new normal.

**Kulkarni (2020)** in an article mentioned that unlike the western world, the concept of variable pay as a part of the compensation package is still not so widely accepted in India. However, progressive organizations strongly promote it and the new generation is also getting used to it.” He believes that in the future a typical combination of fixed and variable salary shall be seen. This may differ from organization to organization and exclusively for the sales-oriented staff as they may have more percentage of variable pay in the form of incentives and motivations.

“To avoid adding to fixed costs with large annual salary increases, companies are regularly relying instead on bonuses to reward employees for superior performance,” said Don Lowman, a global leader of consultancy Korn Ferry’s rewards and benefits practice. “CEOs are quite willing to pay for solid results, but only if those results are attained.” Correlating this to the current financial situation of many companies it wouldn’t be a surprise if they increase the variable portion of the compensation to protect the financial condition of the organization. As we enter into the ‘new normal’, some of the equations are going to change and the compensation strategy is going to be part of it. More and more organizations will be turning to higher variable pay to reward performance and differentiate on the employee experience. Allocating a more variable percentage by way of salary restructuring can be seen in many organizations. While this may not impact junior levels much, the mid and senior-level will see this change to bring greater accountability.

### Objective of the Study

- To study the effects of Covis-19 pandemic on compensation and benefits offered by organizations.

**Methodology**

To meet the objectives of the present study data was collected through primary as well as secondary sources.

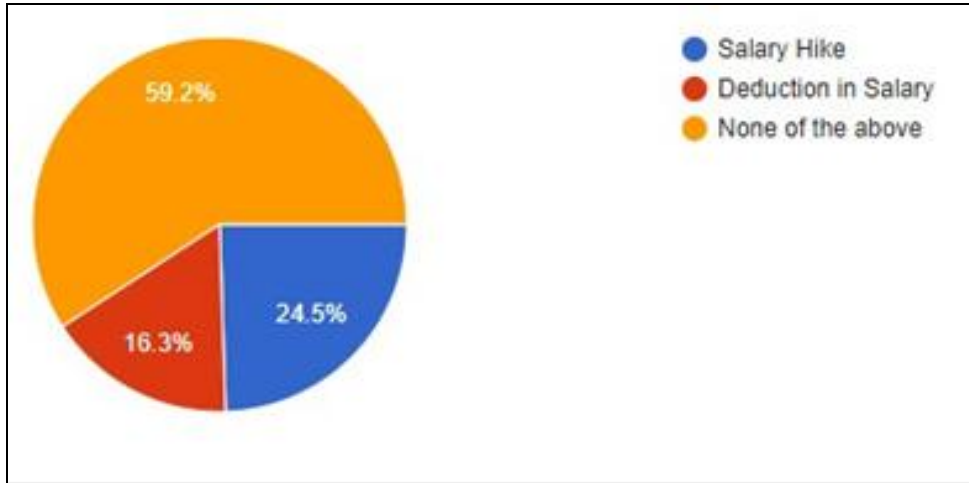
Primary data was collected with the help of structured questionnaire directly from the respondents. Simple random was the sampling design adopted to conduct the survey. In all 50 respondents were approached with a response rate of 100% working in a private organization in Mumbai.

Secondary data has been collected with the help of research papers, articles and reports related to the topic.

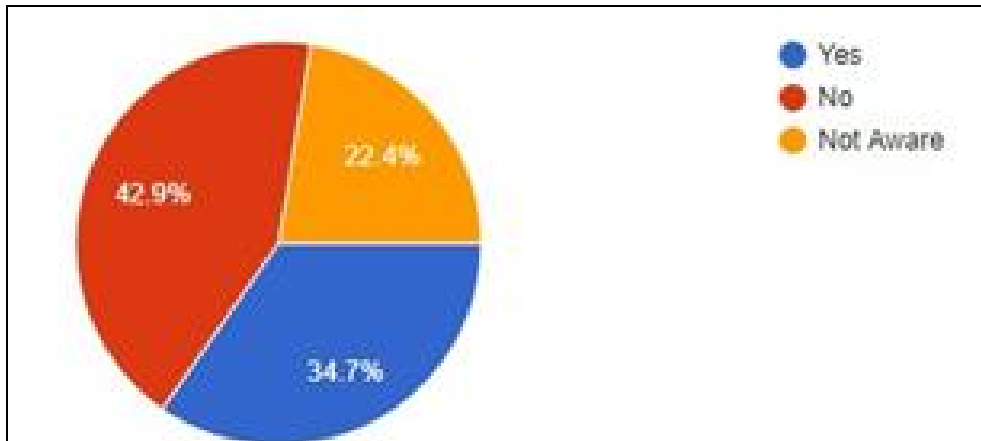
**Data Analysis**

A survey was conducted on 69% females and 31% Males in the age group of 25-45 working in private sector organization

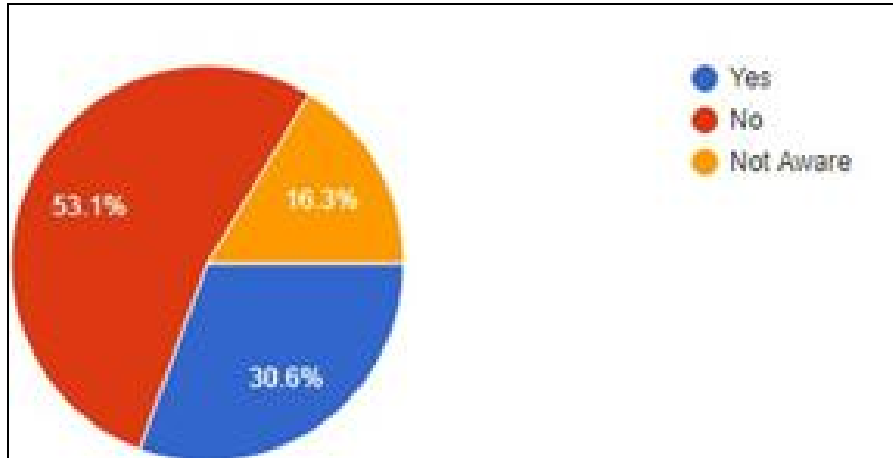
- When the respondents were asked if they received a salary hike or deduction recently, 25% said they received a salary hike, 16% said their salary was deducted and 59% said their policies were the same and there was no change in their salary.



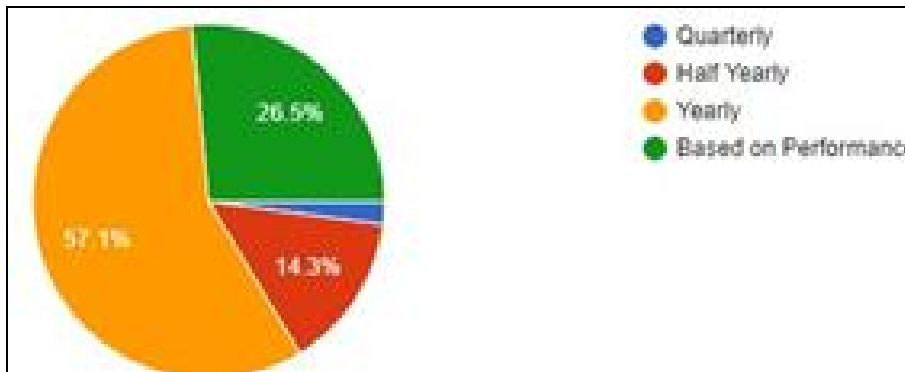
- When asked if their company had revised policies regarding the compensation and benefits structure post Covid-19, 35% responded affirmatively while 43% responded negatively and 22% of the respondents were unaware of the same.



- When the respondents were asked whether their company provided monetary or non-monetary benefits in addition to their salary, 31% answered positively while 53% answered negatively and 16% were unaware about the details of their perks and salary break-up.

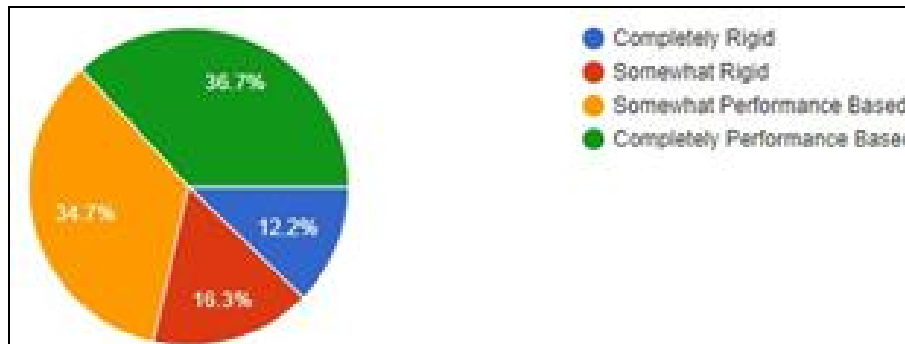


- Respondents were asked about the frequency of performance appraisals in their organization and 14% responded half-yearly, 57% responded yearly and 27% responded that they were appraised based on their performance. A minority of 2% said their appraisals were done quarterly

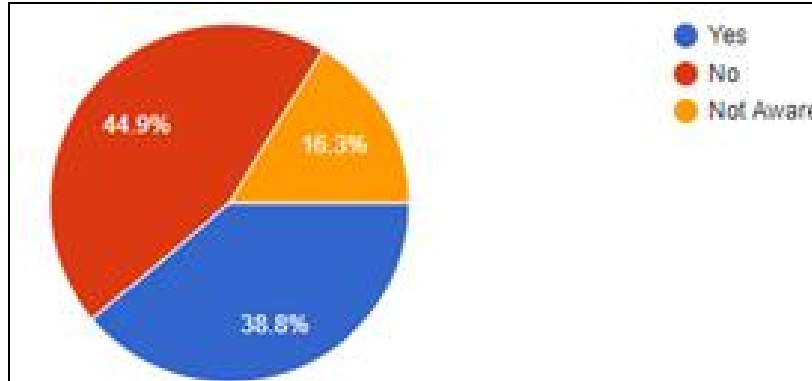


- When asked whether the performance system in their respective organization was performance based or rigid, there was a distribution of responses – with some (12%) having completely rigid systems, 16% having somewhat rigid systems, 35% having a somewhat performance-based system and 37% having a completely performance based system.

According to some respondents the performance system is based on seniority and some others felt that performance appreciation should also be a part of the appraisals. A few respondents also felt exploited by the work from home practices as there were more hours to be put in and no compensation given for the same.

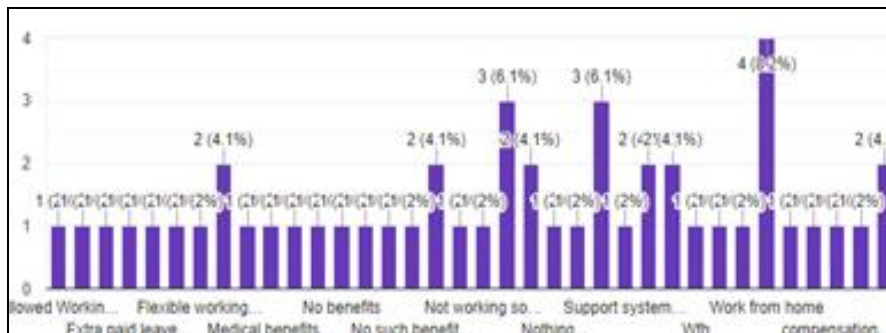


- When asked about layoffs witnessed in their organization due to the pandemic, 39% of the respondents said yes, many were laid off while 45% said none experienced layoffs in their organization. However, 16% of the respondents were unaware about the same.

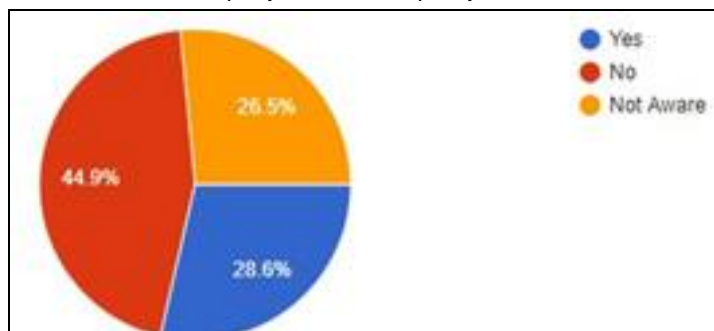


- The respondents were asked about the benefits being provided to them by their firm, especially during the challenging pandemic crisis. A variety of responses including online counselling, wellness programs, medical benefits (if required), educational and awareness seminars, work from home facilities (some considering including it even post-pandemic), flexible working hours, consideration given to working people earning under 8 lakhs, etc. were collected.

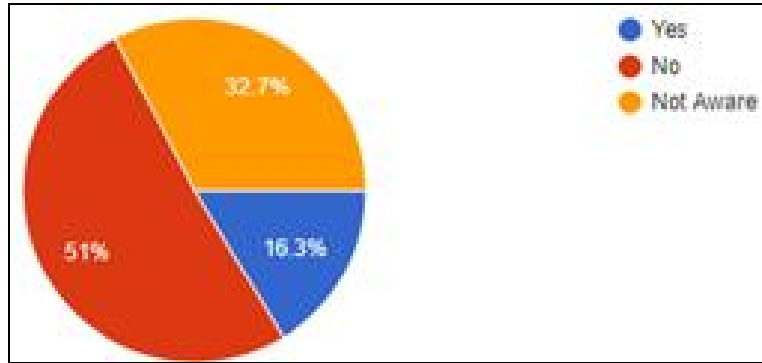
However, 30% of the respondents stated that they were not receiving any additional benefits to support them during the pandemic, besides the work from home facilities offered during the lockdown period.



- When asked if the medical and health-care policy of their company covered Covid-19 under the Medclaim benefits, 29% responded affirmatively while 45% responded negatively and 27% were unaware about their company's Medclaim policy.

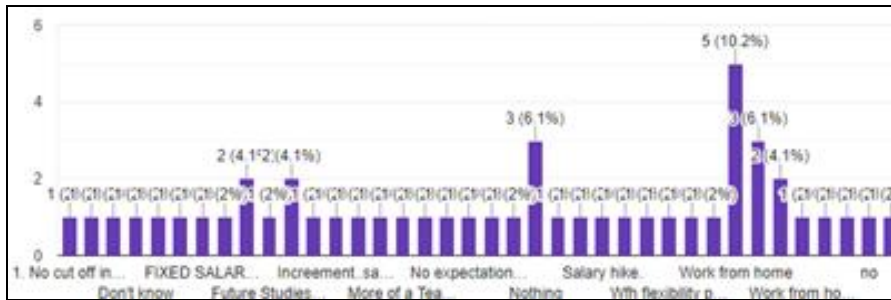


- When asked if their company offered work from home as an option for the future as well, 16% answered with a yes, while 51% (a majority) responded negatively and 33% of the respondents were unaware about the same.



- When the respondents were asked what benefits they would like to see their company offer, many responded with work from home facilities along with some other benefits such as bonuses & overtime compensation, more team-building and engagement activities, flexible work hours and travelling reimbursements, ESI benefits, etc.

Some respondents, however, feel that their company is not taking good care of them or valuing its employees as they are not receiving enough support from the same.



**Findings & Recommendations**

The study helped to analyze the current scenario in organizations post the hit of covid 19.

The paper focused on the strategies of various organizations on layoffs, medical policies, benefits provided and employee expectations from their companies. It highlighted how companies are shifting their focus from "input" to "output" and the importance of variable pay in salary restructuring.

Companies should focus on revising their medical policies to include coverage from covid 19 as well, moreover along with pay for performance reimbursement for the salary cut during difficult times shall also be considered.

Work from home shall be provided as a facility or an option for employees until the pandemic doesn't subside for safety of the employees.

**Conclusion**

The onset of the Covid-19 pandemic brought about a drastic change in the way businesses operate and function. Most businesses shifted from the physical work environment and culture to a remote working environment thereby introducing a drastic shift in the methods of operation of the workforce.

The present study focused on how organizations work today and whether they give compensation and benefits to the employees to help them survive during these challenging times.

The future of organizations compensation and benefits strategies are going to be driven by variable compensation and benefits such as pay for performance, achievement driven pay and there will be a shift from input to output and people/employees will expect medical benefits compensating the pandemic to be a part of their package.

It can be an opportunity for the mid-level or lower level employees to get recognized for their efforts but the senior level management will have to be more accountable.

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